Pininfarina: sole production-Ferrari stylist?

By Richard Johnson

TURIN, Italy — An apparent threat to Industrie Pininfarina S.p.A.'s long-time role as exclusive stylist of Ferrari cars is sending tremors through this city's closely knit automotive design community.

Shock waves were touched off by a March 30 report in *Automotive News*, which noted that I.D.E.A. (Institute for Development in Automotive Engineering), a little-known but fast-growing design and engineering firm headquartered here, had styled a four-wheel-drive Ferrari prototype.

Ferrari S.p.A. general manager Giovanni Razelli told *Automotive News* in March that I.D.E.A. was involved in styling a two-seat, mid-engine, four-wheel-drive prototype that was unlikely to go into production.

Following that, an apparently strong reaction from Pininfarina, which has designed every Ferrari production car except one, prompted Ferrari officials to reassert that Pininfarina would continue as the company's sole production-car stylist.

Razelli recently told a select gathering of the American press in Maranello that "no market analyst would suggest that we dissolve our marriage with Pininfarina, which has given such great satisfaction to both sides...and neither would that analyst believe certain items of news that have appeared in some newspapers."

A Testarossa designed by anyone but Pininfarina? No way, says Ferrari.

Razelli said Ferrari is conducting research on 4wd, four-wheel steering and active suspension in an experimental car he referred to as the 408 4wd.

He also revealed that Ferrari has two additional "laboratories on wheels."

One is the Scaglietti Spyder, a cabriolet prepared by designer Sergio Scaglietti, that is now undergoing fatigue tests with particular focus on the use of composite materials for a large part of the basic structure.

The other is the GTO Evoluzione, a study of engines and components for racing applications.

Razelli's latest account does not differ from that reported earlier. But long-time industry observers in Turin say the turmoil resulted from the underlying suggestion of a crack in Pininfarina's legendary Ferrari armor.

The Ferrari work is a jealously guarded foundation of Pininfarina's worldwide prestige as a coachbuilder and stylist. Indeed, a report a few years ago that Ital-Design Sirp S.p.A.'s Giorgio Giugiaro had authored a new Ferrari met a similar reaction.

In a mid-May interview, the head of Pininfarina himself, Sergio Pininfarina, stated: "Mr. Razelli said the new cars are laboratories on wheels and that the (production) styling will always be developed by Pininfarina. We have been very successful with Ferrari in the last four or five models.

"The only project which was designed and not produced was the Pinin, the four-door car. But Ferrari announced (in 1985) it was their intention not to make a four-door — not that it would make a four-door with another man."

I.D.E.A. president Franco Mantegazza acknowledged in an interview that his company has been involved in Ferrari's 4wd project. He declined to comment further on Ferrari, but Turin sources close to the Ferrari-I.D.E.A. dealings say the 408 4wd, which is about to begin road-testing, is more than a concept car. They say it is a model intended for production, with the American market targeted in particular.

"It's not just a prototype," said an insider. "They would be spending their money in a very bad way if it was not put into production."

Sources further said that the order for the design work came directly from Ferrari, and not from its 50 percent partner, Fiat Auto S.p.A., which has been I.D.E.A.'s biggest customer.

Although no car designed by the nine-year-old company has ever reached production, that will change soon. I.D.E.A. has been heavily involved in styling Fiat's upcoming Type 2 and Type 3 replacements.

By 1990, I.D.E.A. is scheduled to have nine of its designs in production, including six Fiats and three Alfa Romeos.

Meantime, Pininfarina is expected to lose at least one aspect of its Ferrari business by the end of the decade. Ferrari's Maranello facility will take over production of bodies for the successor to the current top-line Testarossa when the new car appears in three years.

Pininfarina currently builds bodies for both the Testarossa and 412 sedan at its Grugliasco plant, and trucks them to Maranello for final assembly. Ferrari's Scaglietti plant in nearby Modena supplies bodies for the Ferrari 328 and Mondial lines.

Although Pininfarina will continue to build bodies for the sedan replacement, Razelli declared in March: "In the future, the (new) Testarossa will be built by Ferrari." ■

WORLD NEWS BRIEFS

Taylor exits Austin Rover

Trevor Taylor resigns as director of international operations for Britain's Austin Rover Group Ltd. He had been sales and marketing chief at the government-owned company until his reassignment in the wake of a major shakeup last fall that included the dismissal of chairman Harold Musgrove. Taylor, with the company 17 years in various sales and marketing positions, was instrumental in launching the Rover Sterling in North America this year. He is succeeded by Brian Fuller, 41, who had been managing director of Leyland South Africa since June 1986.

New plant for new engine

A British subsidiary of Litton Industries is awarded a $60-million contract to supply a new machining plant for Austin Rover's forthcoming K-series engine. Lam-Technicon will build the facility at the automaker's engine complex in Longbridge, England. Construction begins immediately, with completion expected in 1989. The K-series engine will go into Austin Rover's subcompact Metro replacement, scheduled to appear about 1990, and possibly some versions of larger models.

Fiat studies China

Fiat Auto S.p.A. is considering a joint automaking venture in the People's Republic of China. The Italian company is preparing what it calls a "pre-feasibility" study for potential Chinese partners. Fiat has not disclosed details of the agreement under study, but reports several cars have been tested. Currently, American Motors (U.S.), Peugeot S.A. (France) and Volkswagen AG (West Germany) are involved in carmaking ventures in China.

FIRE is ignited

Fiat will expand its state-of-the-art FIRE (fully integrated robotized engine) small-car engine plant in Termoli, Italy. The company will spend the equivalent of $39 million to increase capacity at the highly automated plant, which began operations in late 1984. Output will climb from about 2,400 units daily to 2,800, or about 500,000 engines annually, for use in some Fiat Panda and Uno models and the Lancia Y10.

Agnelli story in the works

Fiat chairman Giovanni Agnelli signs a contract with Random House Inc. to publish his memoirs. Agnelli, grandson and namesake of Fiat's founder, has served as chairman of the Italian industrial giant for more than 20 years. Royalties from the book will be donated to the Metropolitan Museum of Art in New York for restoration and display of Italian frescoes of the Pompeii period. The co-author will be *Wall Street Journal* reporter Roger Cohen.

Navistar drops Daf

Navistar International Corp., which as International Harvester Co. once sought to forge a broad partnership with Daf Trucks of the Netherlands, sells its remaining 14 percent interest in the Dutch company. International bought into the company in 1975, but disposed of most of its stake in the midst of its own severe financial troubles in 1983. At that time the American company also sold its interests in two other European truckmakers — Spain's Enasa S.A. and Britain's Seddon Atkinson Vehicles Ltd. Earlier this year, Daf took controlling interest in Leyland Trucks (now Leyland-Daf Ltd.) and Freight Rover Ltd. from Britain's state-owned Rover Group P.L.C.

Reliant cuts losses

Reliant Motor P.L.C., England, producer of the Scimitar two-seat sports car and Rialto three-wheeler, continues its comeback during the first six months of its 1987 fiscal year. Its pre-tax loss for the six-month period beginning Oct. 1, 1986 is reduced from $327,600 (195,000 pounds sterling) to $48,720 (29,000 pounds). Reliant reported a net loss of $278,400 in the fiscal year ending Sept. 30 1986, compared with a loss of $1.03 million after taxes in 1985. Company officials are weighing possible entry into the U.S. market with Scimitar, but say they won't come to America without first lining up a partner.

Opel still spending

Adam Opel AG, Russelsheim, West Germany, will spend 50 million deutschmarks ($28 million) to upgrade production facilities at its main plant in Russelsheim, West Germany. A major part of the General Motors company's investment will be used to expand its K130 body plant, as well as door and cockpit-module assembly areas. The expenditure, part of an overall 7-billion mark investment program at Russelsheim from 1984 through 1987, is not expected to have a direct effect on production capacity at the plant, which is currently turning out about 1,000 Omegas and 100 Asconas daily.

Scotland hosts IISRP

A new thermoplastic elastomer and new butadiene-based rubber will be revealed at the 28th annual general meeting of the International Institute of Synthetic Rubber Products Inc., held in Edinburgh, Scotland, June 8-12. According to sources at Japan's Asahi Chemical Industry Co. Ltd., the company used "original and unique technology" to develop a new high-performance thermoplastic elastomer "with excellent weatherability and heat resistance." West Germany's Dr. Karl-Dieter Hesse, head of Huels AG's product development and technical service department, says his company has developed a new rubber that shows it is an "excellent" component for blends. Huels is building a pilot plant to develop the process for commercial production, and will market the material under the name Vestenamer.

Bridgestone keeps rolling

Bridgestone Corp., Tokyo, and West German automaker Porsche AG continue to strengthen their bonds as the Japanese tire producer reports its 16-inch RE71 is selected as the on-line original-equipment tire for a 1987 production Porsche model, starting last month. It marks the first time Bridgestone is selected as an on-line tire for a high-volume Porsche model. About 160 tires will be delivered monthly to Porsche for OE on-line application.

New coat: Shape no object

Mitsubishi Metal Corp., Tokyo, develops a technique that makes it possible to form a uniform coat, even on round objects or objects with more complicated shapes. The part to be treated is coated with a special resin by a process similar to electroplating, and the resin is then hardened by heating. The coat, said to be highly resistant to corrosion, can be applied to iron, steel, stainless steel and copper alloy.

Toyota sells Simoniz

Toyota Motor Corp., Toyota City, Japan, will sell seven car-care products, including wax and cleaners, made by U.S. Simoniz International. They will be sold through Toyota dealers and parts distributors throughout Japan. It marks the first availability of Simoniz products in the country. The items include four kinds of wax (soft paste, liquid, spray and pad) and three kinds of cleaners (wheel, seat and glass).

Sales in Brazil

BRAZIL
Cars, light commercial vehicles

	3 mos., 1987	3 mos., 1986
Agrale	378	323
Engesa	113	77
Fiat	18,405	22,294
Ford	29,036	48,993
General Motors	32,764	55,140
Gurgel	406	380
Mercedes-Benz	7,503	8,475
Saab	689	1,143
Santa Matilde	12	34
Toyota	715	789
Volkswagen	41,264	76,089
Volvo	358	519
Total	131,641	214,256

Japanese gain in Europe

By Richard Johnson

After a sharp drop in 1987 first-quarter sales, Japanese makes have begun to regain lost market share in Western Europe.

Industry new-car sales estimates also show Renault and Peugeot, helped by a buoyant French market, made the biggest gains among Europe's volume automakers through the first four months of 1987.

Sales in Spain, the fastest-growing national market, should top 900,000 in 1987, 12 percent higher than previously forecast.

Overall, European industry sales of 4,2866,700 this January-April were 4.6 percent above a year earlier, despite forecasts of a slight downturn this year. Western Europe set an all-time record in 1986 with 11.7 million new-car sales. At the current pace, 1987 sales will top 12.8 million.

Fiat Group held first place in January-April, although Volkswagen Group, the 1986 leader, was No. 1 when Alfa Romeo sales are deducted from Fiat's total.

Sales of Japanese makes were 3.6 percent below their record 1986 pace, but are coming back. The combined Japanese share was 10.3 percent for the first quarter, but the Japanese snapped up 11.8 percent in April, pushing their year-to-date penetration to 10.7 percent. ■

EUROPEAN SALES, BY MANUFACTURER

Manufacturer	4 months 1987	1987 share*	4 months 1986	Change '87 vs '86
Fiat Group**	647,900	15.1	604,200	+ 7.2
VW-Audi-Seat	627,400	14.6	588,900	+ 6.5
Peugeot SA***	511,000	11.9	459,900	+11.1
Ford	497,200	11.6	473,100	+ 5.1
General Motors****	475,200	11.1	474,300	+ 0.2
Renault	451,100	10.5	397,500	+15.1
Japanese (all)	460,200	10.7	477,300	- 3.6
Toyota	114,100	2.7	119,500	- 4.5
Nissan	111,500	2.6	117,200	- 4.9
Mazda	79,000	1.8	89,900	-12.1
Mitsubishi	55,600	1.3	51,100	+ 8.8
Honda	43,900	1.0	46,100	- 4.7
Mercedes-Benz	150,200	3.5	172,700	- 1.7
Austin Rover	149,500	3.5	152,500	- 1.9
BMW	102,000	2.4	109,400	- 6.7
Volvo	97,100	2.3	97,200	- 0.1
Others	117,900	2.7	90,500	+30.2
Total	4,286,700	100.0	4,097,500	+ 4.6

*Total does not add to 100 percent because of rounding
**Includes Alfa Romeo
***Peugeot, Citroen, Talbot
****Opel, Vauxhall, Isuzu, GM-U.S./Canada

NEW CAR SALES BY COUNTRY IN EUROPE

Country	4 mos., 1987	Pct. gain /Loss
West Germany	938,000	- 4.3
Italy	738,400	+ 7.4
France	683,400	+10.3
United Kingdom	680,900	+ 1.8
Spain	303,100	+69.7
Netherlands	251,000	+ 5.9
Belgium/ Luxembourg	170,300	- 4.5
Switzerland	107,400	+ 0.6
Sweden	98,800	+14.1
Austria	90,500	+ 2.4
Finland	56,900	+ 3.5
Denmark	45,200	-34.7
Norway	40,400	-36.8
Portugal	39,400	+23.1
Ireland	27,000	+ 9.9
Greece	16,000	-23.2
TOTAL	4,286,700	+ 4.6

OVERSEAS REGISTRATIONS

SWITZERLAND
Cars

	3 mos., 1987	3 mos., 1986
BMW	3,193	2,474
Daihatsu	279	293
Fiat Auto	7,331	7,611
Fiat	4,946	4,957
Lancia	1,255	1,175
Alfa Romeo	1,130	1,479
Ford	5,128	5,769
GM-Opel	9,529	9,593
Honda	1,930	1,920
Isuzu	157	229
Jaguar	129	120
Mazda	2,018	2,431
Mercedes-Benz	1,794	1,889
Mitsubishi	3,026	2,233
Nissan	3,294	2,419
Peugeot SA	6,237	6,011
Citroen	2,600	2,530
Peugeot/Talbot	3,637	3,481
Porsche	241	339
Renault	4,220	4,038
Rover Group	464	575
Saab	464	427
Subaru	3,606	3,144
Suzuki	950	906
Toyota	5,713	4,978
VW Group	10,739	10,509
Volkswagen	7,317	6,779
Audi	2,761	3,071
Seat	661	659
Volvo	1,514	1,366
Others	69	57
Total	72,025	69,331

DENMARK
Cars

	3 mos., 1987	3 mos., 1986
BMW	512	1,018
Dacia	21	124
Daihatsu	397	1,217
Fiat Auto	2,032	2,458
Fiat	1,904	2,280
Lancia	26	0
Alfa Romeo	102	178
Ford	3,653	6,548
FSO	153	403
GM-Opel	5,362	9,734
Honda	560	968
Jaguar	11	6
Lada	929	0
Mazda	2,926	5,516
Mercedes-Benz	376	325
Mitsubishi	605	147
Nissan	1,394	2,678
Peugeot SA	2,813	3,437
Citroen	1,525	2,645
Peugeot/Talbot	1,288	792
Renault	96	310
Rover Group	59	126
Land Rover	3	0
MG	39	126
Austin	17	0
Saab	382	549
Skoda	714	948
Subaru	74	169
Suzuki	23	87
Toyota	3,524	6,652
VW Group	2,721	4,322
Volkswagen	2,080	3,706
Audi	420	319
Seat	221	297
Volvo	1,264	1,909
Wartburg	207	210
Zastava	250	498
Total	31,090	53,128

SOUTH AFRICA
Cars

	3 mos., 1987	3 mos., 1986
BMW	3,793	3,266
GM-Opel	3,909	2,688
Honda	2,460	1,945
Jaguar	0	7
Lancia	29	6
Mercedes-Benz	2,077	2,257
Nissan	3,382	3,492
Renault	0	1,691
Rover Group	0	5
Samcor	9,889	8,302
Ford	5,656	3,712
Mazda	4,233	3,511
Mitsubishi	0	742
Peugeot	0	337
Toyota	11,439	11,147
VW-Audi	9,122	6,981
Others	0	2
Total	46,100	41,789

AUSTRIA
Cars

	3 mos., 1987	3 mos., 1986
BMW	1,634	1,762
Daihatsu	322	265
Fiat Auto	3,951	4,513
Fiat/Lancia	3,333	4,035
Alfa Romeo	618	478
Ford	6,161	4,926
GM-Opel	6,170	7,408
Honda	1,191	1,257
Jaguar	30	28
Lada	308	319
Mazda	4,711	4,777
Mercedes-Benz	2,083	2,128
Mitsubishi	1,552	1,129
Nissan	3,009	2,608
Peugeot SA	3,765	3,513
Citroen	1,742	1,502
Peugoet/Talbot	2,023	2,011
Porsche	96	117
Renault	2,836	2,511
Rover Group	51	47
Saab	66	82
Skoda	168	190
Subaru	991	990
Suzuki	455	359
Toyota	3,603	3,708
VW Group	12,426	11,393
Volkswagen	10,077	9,137
Audi	2,055	1,959
Seat	294	297
Volvo	681	828
Others	20	10
Total	56,280	54,868

JAPAN
Cars

	2 mos., 1987	2 mos., 1986
Daihatsu	11,033	13,503
Fuji	8,585	9,920
Honda	42,187	39,779
Isuzu	6,899	8,127
Mazda	27,709	27,152
Mitsubishi	19,249	17,748
Nissan	99,955	100,388
Suzuki	7,533	8,305
Toyota	180,639	177,605
Imports (all)	10,060	7,215
Total	413,849	409,742

Vans, trucks, buses

Daihatsu	57,044	50,751
Fuji	31,929	30,717
Hino	5,715	5,261
Honda	28,155	30,351
Isuzu	15,675	16,207
Mazda	21,101	23,924
Mitsubishi	50,405	47,839
Nissan	35,534	36,160
Nissan Diesel	3,039	2,819
Suzuki	57,541	58,249
Toyota	52,762	51,329
Imports (all)	24	28
Total	358,926	353,160
Total Vehicles	772,775	762,902

NETHERLANDS
Cars

	2 mos., 1987	2 mos., 1986
BMW	3,093	3,420
Dacia	19	25
Daihatsu	964	1,246
FSO	26	70
Fiat Auto	8,200	10,120
Fiat	6,910	8,715
Lancia	266	501
Alfa Romeo	1,024	904
Ford	14,069	14,084
GM-Opel	24,231	21,803
Honda	2,073	2,205
Hyundai	551	209
Isuzu	10	29
Jaguar	94	113
Lada	1,907	2,147
Mazda	4,892	4,922
Mercedes-Benz	2,887	3,177
Mitsubishi	3,335	3,270
Nissan	6,743	4,644
Peugeot SA	14,677	12,655
Citroen	6,313	6,013
Peugeot/Talbot	8,364	6,642
Porsche	64	69
Renault	5,024	6,623
Rover Group	1,153	959
Saab	671	684
Skoda	957	853
Subaru	1,096	879
Suzuki	3,336	2,733
Toyota	5,544	5,361
VW Group	15,610	13,240
VW/Audi	14,263	12,142
Seat	1,347	1,098
Volvo	6,562	6,320
Zastava	35	168
Others	38	8
Total	127,881	122,036

SWEDEN
Cars

	4 mos., 1987	4 mos., 1986
BMW	1,701	1,566
Bertone	0	9
Daihatsu	311	540
Fiat Auto	2,599	2,497
Fiat	1,649	1,280
Lancia	516	898
Alfa Romeo	434	319
Ford	10,836	9,406
GM-Opel	10,231	8,101
Honda	1,070	1,419
Isuzu	38	0
Lada	601	503
Mazda	4,235	4,030
Mercedes-Benz	2,330	2,687
Mitsubishi	855	718
Nissan	4,317	4,674
Peugeot SA	3,230	2,090
Citroen	1,167	865
Peugeot/Talbot	2,063	1,225
Porsche	150	162
Renault	1,230	1,100
Rolls-Royce	4	2
Saab	9,627	9,593
Skoda	23	48
Subaru	585	476
Suzuki	428	272
Toyota	6,823	4,318
VW Group	12,533	7,104
Volkswagen	7,915	7,104
Audi	4,618	3,850
Volvo	25,015	21,428
Others	71	22
Total	98,843	86,615

WEST GERMANY
Cars

	4 mos., 1987	4 mos., 1986
Alpina	88	63
AMC	288	115
BMW	49,819	52,367
Bertone	81	132
Daihatsu	3,068	4,124
Fiat Auto	49,702	50,125
Fiat/Lancia/ Ferrari	47,353	47,555
Alfa Romeo	2,349	2,570
Ford	91,617	106,902
GM-Opel	148,757	149,736
Honda	14,404	14,837
Isuzu	1,687	1,924
Jaguar	773	655
Lada	3,923	3,491
Mazda	28,353	28,846
Mercedes-Benz	101,706	106,306
Mitsubishi	23,851	20,568
Nissan	25,257	27,020
Peugeot SA	41,222	46,632
Citroen	14,284	17,089
Peugeot	26,938	29,543
Porsche	3,174	4,583
Renault	31,949	33,754
Rover Group	3,224	4,073
Austin Rover	2,780	3,626
Land Rover	444	447
Saab	1,833	1,634
Skoda	783	1,087
Subaru	5,188	5,637
Suzuki	8,295	7,448
Toyota	28,367	31,178
VW Group	272,372	269,587
Volkswagen	200,548	216,650
Audi	68,871	51,359
Seat	2,953	1,578
Volvo	6,094	5,976
Others	447	454
Total	947,402	980,279

OVERSEAS PRODUCTION

JAPAN
Cars

	2 mos., 1987	2 mos., 1986
Daihatsu	25,933	23,997
Fuji	49,036	50,403
Honda	163,362	167,679
Isuzu	32,978	33,415
Mazda	130,851	127,392
Mitsubishi	85,019	100,390
Nissan	303,956	284,094
Suzuki	45,494	44,203
Toyota	407,865	434,446
Total	1,244,494	1,266,019

Vans, trucks, buses

Daihatsu	70,136	69,067
Fuji	58,572	54,594
Hino	9,099	11,663
Honda	35,890	34,269
Isuzu	50,042	56,720
Mazda	61,910	68,967
Mitsubishi	109,482	95,942
Nissan	79,770	88,393
Nissan Diesel	5,112	5,496
Suzuki	83,965	88,722
Toyota	159,757	164,583
Others	63	118
Total	723,804	738,529
Total Vehicles	1,968,298	2,004,548

FRANCE
Cars

	3 mos., 1987	3 mos., 1986
Peugeot SA	426,785	380,473
Citroen	171,465	142,116
Peugeot/Talbot	255,320	238,357
Renault	373,681	304,045
Total	800,466	684,518

Vans, trucks, buses

CBM	0	12
Heuliez	55	0
Iveco-Unic	13	26
Peugeot SA	42,072	42,932
Citroen	16,656	20,288
Peugeot/Talbot	25,416	22,644
Renault/RVI	73,485	75,452
Sovam	26	20
Total	115,651	118,442
Total Vehicles	916,117	802,960

AUCTION DATES

American Motors

June 9 — Aptco Auto Auction, Taylor, Mich., and Statesville Auto Auction, Statesville, N.C.

June 10 — Columbus Fair Auto Auction, Obetz, Ohio; Metro Milwaukee Auto Auction, Caledonia, Wis.; and Kansas City Auto Auction, Kansas City, Mo.

June 11 — Todd Auto Auction, Telford, Pa., and Evansville Auto Auction, Evansville, Ind.

June 16 — D-A Auto Auction, New Stanton, Pa.

June 17 — Minneapolis Auto Auction, Plymouth, Minn.

June 18 — Corry Auto Auction, Corry, Pa., and Evansville Auto Auction, Evansville, Ind.

June 19 — St. Louis Auto Auction, Bridgeton, Mo.

Chrysler Corp.

June 9 — American Auto Auction, Walpole, Mass.; Arena Auto Auction, Chicago; Hatfield Auto Auction, Hatfield, Pa.; Metro Auto Auction of Kansas City, Lee's Summit, Mo.; and Golden Gate Auto Auction, Fremont, Calif.

June 10 — Southwest Auto Auction, Phoenix, Ariz.; Butler Auto Auction, Gibsonia, Pa.; and Minneapolis Auto Auction, Plymouth, Minn.

June 11 — Clanton's Auto Auction, Darlington, S.C.; Indianapolis Auto Auction, Indianapolis; and Northway Exchange, Clifton Park, N.Y.

Ford Motor Co.

June 9 — Harrisonburg Auto Auction, Harrisonburg, Va.

June 10 — Atlanta Auto Auction, Red Oak, Ga., and Concord Auto Auction, Acton, Mass.

June 11 — Arena Auto Auction, Chicago; Dallas Auto Auction, Dallas; and Bay Cities Auto Auction, Hayward, Calif.

June 17 — Lakeland Auto Auction, Lakeland, Fla., and Southern California Auto Auction, Fontana, Calif.

June 18 — Denver Auto Auction, Englewood, Colo.; Aptco Auto Auction, Taylor, Mich.; Minneapolis Auto Auction, Plymouth, Minn.; Skyline Auto Exchange, Fairfield, N.J.; and 166 Auto Auction, Springfield, Mo.

General Motors

June 10 — Hatfield Auto Auction, Hatfield, Pa.; Indianapolis Auto Auction, Indianapolis; Metro Auto Auction, Kansas City, Mo.; Northstar Auto Auction, Shakopee, Minn.; and Brasher's Auto Auction, Fontana, Calif.

June 11 — Butler Auto Auction, Gibsonia, Pa.; Aptco Auto Auction, Taylor, Mich.; Big H Auto Auction, Houston; Nashville Auto Auction, Nashville, Tenn.; Denver Auto Auction, Englewood, Colo.; and Florida Auto Auction of Orlando, Ocoee, Fla.

Used Car Sales
Auction Averages

June to date	$5,901
Month ago	$5,846
Year ago	$5,165

Model Breakdown
Auction Averages

	JUN 1987	MAY 1987	APR 1987
1987	$11,317	$11,046	$13,266
1986	$9,257	$9,287	$9,460
1985	$7,208	$7,194	$7,236
1984	$5,735	$5,718	$5,732
1983	$4,881	$4,873	$4,842
1982	$3,712	$3,705	$3,727
1981	$2,725	$2,705	$2,635
1980	$2,152	$2,141	$2,170
Overall Average	$5,901	$5,871	$5,832

C-P-C speeds birth of vehicle

By Michelle Krebs
AUTOMOTIVE NEWS STAFF REPORTER

PONTIAC, Mich. — General Motors' Chevrolet-Pontiac-Canada Group has implemented a new process for developing vehicles in an effort to get them to market faster.

Donald L. Runkle, former Chevrolet chief engineer, now directs C-P-C's Advanced Vehicle Engineering where Chevrolet and Pontiac production cars and concepts cars are born.

Advanced Engineering and Advanced Manufacturing are responsible for Phase 0 of the four-phase process. Phase 0 is the technology development and preliminary design phase.

The idea, Runkle said, is to do as much preliminary planning and engineering as possible to prevent problems later in the development process and to avoid doing the final design work more than once.

In the past, Runkle said, a vehicle went from concept to design with little of the preliminary planning that is done today. Lack of planning and definition of the vehicle meant two or three designs might be necessary.

"The problem was, you might discover something in there that you didn't like," he said. "Then you got a little late on your design. Then you got a little late on the testing. Then you either delayed the production or the car wasn't exactly as good as you could have made it.

"That shouldn't happen," he added. "What happened is, you defined the product too late. You have to define the product early and spend a lot of time in Phase Zero. This allows for doing it once."

Runkle said a new vehicle is conceived in two ways: It is born from a demand from the market or it is pushed into existence by technology.

He said the market pull approach means that Chevrolet or Pontiac has asked for a new vehicle described in general terms — a four-wheel-drive, subcompact coupe, for example.

Technology may push the development of a vehicle. The technology involving a product or a new process may come from Advanced Engineering, GM Research or a supplier. Advanced Engineering tests the technology on a vehicle. It calls in the marketing divisions to see if the technology will sell.

Once the car is initiated, Advanced Engineering develops a Level 1 specification, intially a two-page description.

At that point, Advanced Engineering may pursue more than one version of the vehicle, Runkle said. For example, it may initially be done in front-wheel-drive, rear-wheel-drive and four-wheel-drive versions.

The vehicle is then narrowed down to one version. Through communication with the marketing divisions, the specifications grow into a book describing every detail of the vehicle. The book describes the content, the approximate price, options, engines, transmission, wheels and wheel covers.

AUTOMOTIVE NEWS/JOE WILSSENS

Runkle stresses preliminary planning and engineering

Runkle tells his staff that an outsider familiar with automobiles should be able to read the book and know exactly what the vehicle is like.

Once the book is written, Advanced Engineering does a preliminary design, a clay model and, ultimately, a running prototype.

Along the way there are checkpoints that list page after page of things that must done before the vehicle goes on to the next stage.

"Meanwhile," Runkle said, "the calendar is moving, and we'll change the production date if it has not passed the exit critiera."

The final check for Phase 0 is to show the vehicle to the division executives and determine if engineering interpreted the marketing group's desires properly.

"In our final check," Runkle said, "we say 'OK, Bob Burger (Chevrolet general manager), this is what we think it is, and we can go for a ride in it.' Hopefully, if we've had good tight simultaneous communication, he's not surprised. It is exactly what they had in mind and everybody is happy."

If the division likes the vehicle, it goes to the corporation for concept approval. A business plan projecting sales and the rate-of-return on the vehicle has been made during the preliminary design.

At a two- to three-day session, the vehicle is explained in minute detail to GM executives.

If approved, the vehicle moves into Phase 1, the detailed design phase; followed by Phase 2, the validation and testing period; and, ultimately, Phase 3 — production.

As the vehicle passes through the four phases, the people who worked on the original concept, including the chief engineer, often accompany it.

The other guiding philosophy in the process is the "car focus," as Runkle called it. Some of his staffers called it "esprit de car."

For a particular car, Advanced Engineering pulls people from advanced body, advanced chassis, advanced electrical, advanced powertrain, advanced manufacturing and advanced development into an organization that reports to the chief engineer of the car.

"That team then speaks only Celebrity or speaks only Fiero," Runkle said. "I think then we have the esprit de car."

While the engineering of the product is going on, C-P-C Advanced Manufacturing, housed in the same office building as C-P-C Advanced Engineering, is formulating the process to build the vehicle.

The idea is to have product and process engineers in the same building so they can develop the process at the same time that they develop the product. The procedure is known as simultaneous engineering.

In the past, a car was developed sequentially, Runkle said. The preliminary engineering work was done and then the vehicle was passed along to design. Design, in turn, passed it along to product engineering, which sent it to manufacturing engineering.

Runkle likened the new method of developing a car to the way a house would be renovated.

"If you're renovating a house, you plan the whole thing out and work together on it," he said. "It goes better and ends up costing a lot less money."

The process engineers can tell the product engineers if a part they are designing can be made, he said. The process engineer can show the product engineer the machines to tool the parts so the product engineer can design the part to be made easier.

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Rolls sniffs up new ad gimmick

LYNDHURST, N.J. — What does the interior of a $100,700-plus Rolls-Royce smell like?

Few Americans can afford to find out, but the readers of the July issue of Architectural Digest can experience the sensation through the importer's latest ad campaign.

In a four-page ad insert, Rolls-Royce Motor Cars is using strips of paper scented like the leather upholstery in its cars. The ad says, "This in essence is Rolls-Royce."

"Rolls-Royce appeals to one more of the five senses than most cars — the sense of smell," said Robert Wharen, marketing vice president of Rolls-Royce Motor Cars Inc., the importer of the British luxury cars.

Rolls-Royce got the idea for the ad from customers who commented on the distinctive smell of the cars' leather interiors. Wharen said the importer spent two months developing the right scent for the ad. The "chief nose" at a specialty printing and technology company sat in a Rolls-Royce and compared the scent with a machine-generated fragrance, he said.

A group of Rolls-Royce executives then compared variations of the scent.

"It was rather like a wine tasting," Wharen said. "After experiencing each sample, we had to breathe fresh air to clear our sense of smell," he said.

Della Femina, Travisano & Partners, New York, created the campaign.

SALES

FROM PAGE 1

cent and Volkswagen was up 4.59 percent because sales of U.S.-built Jetta models are being reported as domestic sales for the first time.

In May's final 10-day sales period, deliveries of domestic cars totalled 250,045 units, off 12.81 percent from the 286,788 sold in the closing period of May 1986.

AMC had a decline of 30.44 percent in the period; General Motors dipped 27.44 percent; and Chrysler Motors was down 0.22 percent. Ford was up 2.43 percent.

Nissan sales climbed to 7,174 units from 284 a year earlier. Volkswagen had a rise of 31.24 percent on a unit increase to 4,516 this year vs. 3,414 in the final period of May 1986. Honda's sales in the period rose 58.30 percent.

Toyota sold 2,638 units in the May 21-31 period and 4,463 units in the month. It was not selling U.S.-built cars last year.

Incentives in May were widespread among the traditional domestic-make vehicles, Subaru cars and on most Japanese light trucks. European makers, in general, have been eschewing retail sales incentives. Exceptions are Volkswagen with financing specials and Audi, which offers a hefty rebate deal to current Audi owners.

In terms of share of the market for May, GM took 34.52 percent; Ford Motor, 20.43 percent; and Chrysler, 9.17 percent. Honda's share was 2.95 percent; Nissan's was 1.69 percent; and Volkswagen's was 0.89 percent. Toyota had 0.51 percent of the domestic market and AMC had 0.33 percent. Imports accounted for 29.51 percent.

The Ford analyst said Ford continues to expect industry sales for this year to amount to 15.0 million units, consisting of 10.2 million cars and 4.8 million trucks. Last year the industry's sales total was a record 16.3 million units. It consisted of 11.4 million cars and 4.9 million trucks.

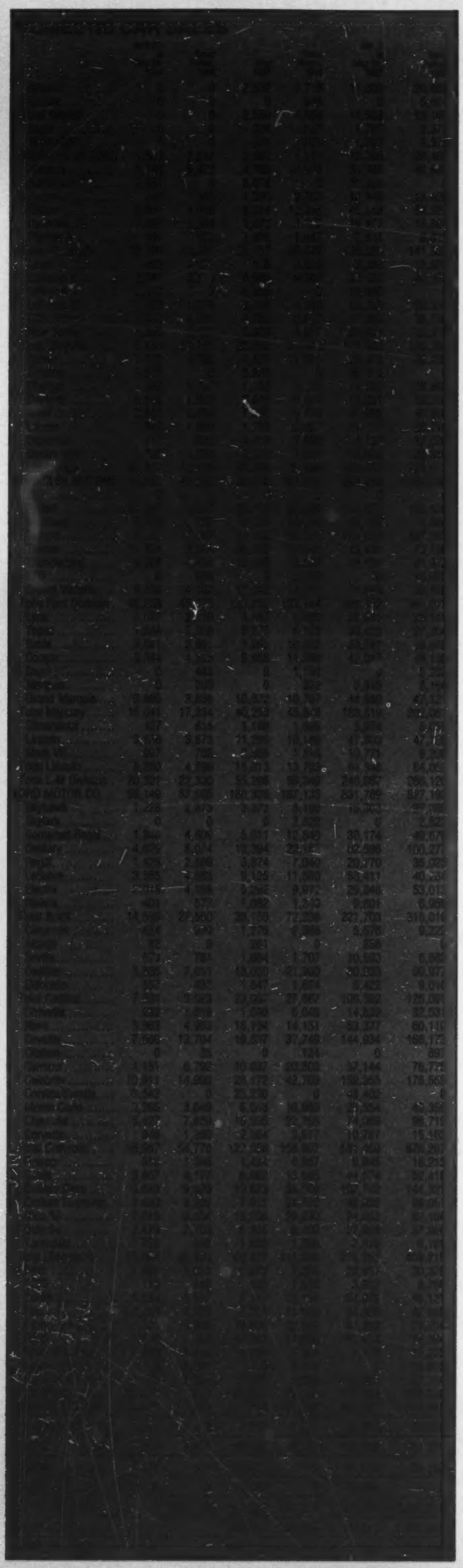
U.S. CAR SALES BY MARKETING UNITS

	May 1987	May 1986	5 Mos. 1987	5 Mos. 1986
Chevrolet	131,852	172,183	630,725	741,0
Ford	126,164	127,784	565,158	561,0
Oldsmobile	60,477	115,598	315,902	484,2
Toyota	55,140	62,489	210,220	237,6
Pontiac	50,602	86,959	280,464	370,5
Buick	38,150	72,238	221,788	311,5
American Honda	61,802	54,961	280,941	236,5
Nissan	40,935	48,543	225,582	211,1
Dodge	35,017	45,842	176,589	208,5
Mercury	41,296	47,265	167,252	207,5
Plymouth	30,975	39,711	157,907	167,7
Chrysler	24,629	31,449	108,462	143,0
GMA	26,606	29,512	99,950	124,0
Oldsmobile	22,353	13,963	99,567	57,2
Cadillac	23,097	27,867	108,382	125,0
Lincoln	15,129	19,853	66,429	86,0
Subaru	16,123	14,055	63,174	73,0
Lincoln	15,013	13,703	69,548	64,0
Volvo	10,462	10,346	52,861	51,8
BMW	7,796	7,967	35,078	37,2
Mercedes	8,297	7,772	36,199	34,1
AMC-Renault	4,366	5,364	17,148	31,0
Saab	3,669	4,273	17,969	19,2
Mitsubishi	6,446	3,857	29,392	19,2
Yugo	4,111	1,560	22,223	9,6
Porsche	2,473	2,149	10,323	11,5
Jaguar	2,304	2,191	7,833	9,0
Isuzu	3,271	1,712	11,713	4,5
Peugeot	695	1,017	3,886	5,5
Alfa Romeo	637	815	2,725	4,2
Maserati	60	183	303	7
Sterling	1,022	—	5,220	—
TOTAL	882,817	1,072,537	4,147,801	4,848,1

Chevrolet includes Sprint and Spectrum. Honda combines imports and domestics and Acura. Dodge includes Colt, Conquest, Vista. Plymouth includes Colt, Conquest, Vista. VW/A combines imports and domestics and Audi-Volvo includes Sweden built in the U.S. Mercury includes Merkur XR4TI and Merkur Scorpio. Ford includes

IMPORTED CAR SALES

	May 1987	May 1986	5 Mos. 1987	5 Mos. 1986
Acura	9,582	4,062	40,759	8,4
Alfa Romeo	637	815	2,725	4,2
Audi	5,531	5,568	18,473	21,4
BMW	7,796	7,967	35,078	37,2
Chevrolet Sprint	2,264	8,147	16,213	42,4
Chevrolet Spectrum	4,858	7,139	25,253	36,8
Chrysler Conquest	1,008	—	1,008	—
Dodge Colt	8,278	2,638	44,215	9,3
Dodge Conquest-Vista	1,140	1,233	5,731	5,3
Ford Escort	1,102	—	1,102	—
Honda	28,220	24,247	122,686	124,6
Hyundai	22,265	13,965	79,844	72,4
Isuzu	3,271	1,712	11,713	4,5
Jaguar	2,304	2,191	7,833	9,0
Mazda	11,135	11,135	47,000	57,4
Mercedes	8,297	7,772	36,199	34,1
Merkur	1,000	—	1,000	—
Mitsubishi	6,446	3,857	29,392	19,2
Nissan	7,174	284	36,647	1,4
Peugeot	695	1,017	3,886	5,5
Porsche	2,473	2,149	10,323	11,5
Sterling	1,022	—	5,220	—
Subaru	16,123	14,055	63,174	73,0
Toyota	4,463	—	17,969	—
Volkswagen	4,516	3,414	18,473	17,2
Volvo	10,462	10,346	52,861	51,8
Yugo	4,111	1,560	22,223	9,6



INCENTIVES

FROM PAGE 1

car sales in May plunged 20.85 percent below the 1986 total.

Automotive analysts say there are too many incentive programs and manufacturers do not have a consistent approach to their programs.

"It's incredibly disorganized out there," said Thomas O'Grady, president of Integrated Automotive Resources, Wayne, Pa.

"There hasn't been a consistent marketing approach to incentives. When marketing executives find one incentive doesn't work, they say, 'Oh my God, what are we going to do next?' " O'Grady said.

According to the analysts, consumers are confused by the number and the complexity of the programs and find it hard to determine what incentives apply to a specific model.

Cash rebates, low-finance rates and option discounts vary by nameplate. National advertising stresses product, not the availability of an incentive on the product. The constant changes in incentives confuse both dealership personnel and customers, analysts say.

"The confusion arises because the customer knows that there are incentives all over the place," said Michael Luckey, senior automotive analyst, Shearson Lehman Brothers, New York.

"The consumer wants to know that he's getting the best deal," Luckey said. "For instance, what's better — a cash rebate or low financing?"

Chris Cedegren, senior automotive analyst with J.D. Power & Associates, Westlake Village, Calif., said the incentives would be less confusing if manufacturers (or their divisions) offered one incentive for their entire line.

Dealers interviewed said the programs have become so complex that sales personnel are often unable to keep up with the details. A single model could have a consumer cash or financing option, an option discount, a salesperson incentive and a dealer incentive. It could even have all of them.

For instance, the Ford Tempo offers a $600 consumer cash rebate on models equipped with manual transmission, $300 for models with automatic transmission, $100 cash to the salesperson, 3.9 percent to 9.9 percent financing and group discounts on power equipment. And there's an extra $500 rebate on Tempos with air bags.

One dealer began writing the details of each incentive program on three-by-five index cards for his sales staff but gave up after several changes in the programs.

Manufacturers admit that past programs have been confusing. Chevrolet and Buick dealers recently received brochures clarifying each sales incentive offered by the divisions and by General Motors Acceptance Corp.

A GM dealer in the Tampa Bay, Fla., area said his field representative recommended that he hire an employee to keep up with incentives and process the paperwork to avoid costly mistakes.

"If I'm confused and I'm in the business, I can imagine the customer is pretty confused right now," said Roland McGinnis, owner of McGinnis Cadillac, Houston, and chairman of the Cadillac National Dealer Council.

In an effort to give incentives the punch they lost, automakers are revamping their standard cash-back and finance incentives.

General Motors divisions dropped incentives on option packages in May in order to simplify their programs. GM is also experimenting with regional incentives.

Stiff words on Japan for U.S. parts makers

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

U.S. parts makers must make an effort to supply Japanese auto plants in Japan and the United States or risk being squeezed out of business.

That is the finding of a study released by the University of Michigan's East Asia Business Program.

That strategy is needed as Japanese suppliers broaden their presence in the United States and as U.S. automakers outsource more parts from abroad, the study says. The study is entitled "Japanese Auto Parts Companies in the U.S. and Japan: Implications for U.S. Competitors."

But to make the move, U.S. suppliers will have to confront a range of cultural and economic barriers that have made it difficult to get business with Japanese original-equipment manufacturers.

In the meantime, life for U.S. suppliers won't be any more comfortable, even though Japanese transplants, with the help of a weakening dollar, are stepping up their purchases of U.S. parts.

"There can be no doubt as to the substantial threat to the U.S. supplier industry posed by the accelerating movement of Japanese parts suppliers locating in the United States," say the study's authors, Peter J. Arnesen, Robert E. Cole and A. Rama Krishna.

The study traces the strength of the Japanese supplier to that country's postwar industrialization strategy. Until the 1970s, controls on Japan's economy severely restricted imports and investment by foreign firms, resulting in a self-sufficiency and the forging of close ties between manufacturers and suppliers.

Today, those links are reflected in the way OEMs scrutinize their suppliers and the long-term relationships they hold with members of their supplier associations. The unity is further reinforced by equity ties between OEMs and suppliers.

Those features pose an intimidating front for U.S. suppliers trying to do business with Japanese automakers, either in Japan or in the U.S., the study say. Toyota, for example, has dealt with all but 7 percent of the firms in its supplier association since the 1950s.

There are other elements at work against U.S. companies. Japanese OEM demands that suppliers take an early role in product design might require U.S. makers to set up a technical office in Japan before signing a contract. The authors question whether U.S. parts firms will be willing to disclose their expected costs and profit margins, as Japanese OEMs require. They also ask whether U.S. suppliers will submit to the rigors of Japanese just-in-time inventory systems and demands for flexible production.

The study points out that while U.S. automakers are adopting some of those same systems, they are not as well developed as those practiced by the Japanese.

It doesn't surprise the authors, then, that U.S. firms have opted for joint ventures as a way to break into the Japanese business. The Japanese, on the other hand, have viewed those ventures as a way to gain access to unfamiliar markets and as a way to defuse threats of protectionism.

But there are some risks. Typically, the authors say, the U.S. partner in a joint venture offers the bulk of financial, marketing and assembly support but doesn't share in the research efforts. The higher value-added jobs — those tied to product design and production — may be kept in Japan. That trend could hamper U.S. suppliers' ability to innovate.

Ideally, U.S. firms should view joint ventures as a means to absorb the skills of the Japanese partner while protecting their distribution and marketing advantages.

"The joint venture should be looked upon as much as an 'educational experience' as a business proposition," the study says. "At a bare minimum, the U.S. joint venture should increase the American partner's understanding of what it takes to supply Japanese OEMs in Japan."

While U.S. parts suppliers face the biggest challenges, the prosperity of Japanese suppliers in America will also be threatened if trends continue, the study says. If the Japanese become too much of a force in America, they will likely run into a stiff protectionist reaction.

The study recommends that American parts makers attempt to do more business with Japanese OEMs in Japan. In that way, they will be able to combat the Japanese by creating some of the economies of scale and other strengths that Japanese suppliers have built by expanding overseas themselves.

While few U.S. parts makers will become part of the first tier of Japanese suppliers from the start, they could find spots on the second and third rungs of the ladder. From there, the study concludes, U.S. firms will have the best chance of making it into the first group.

Pontiac LeMans on sale this week
Pontiac LeMans models are being loaded on haulaway trucks at the Jacksonville (Fla.) Port Authority in preparation for distribution to Pontiac dealers across the United States. The subcompact LeMans, imported from Daewoo Motors in South Korea, goes on sale nationwide June 11. Prices start at $5,995.

12 LEADING MOTOR VEHICLE PRODUCERS WORLDWIDE

	1986	1985	1984	1983	1982	1981
General Motors	8,592,600	8,467,977	8,256,000	7,760,000	8,244,000	8,782,000
Ford Motor Co.	5,815,745	5,550,500	5,394,651	4,934,231	4,267,527	4,492,487
Toyota	3,680,167	3,540,640	3,429,240	3,182,614	3,188,704	3,254,943
Volkswagen	2,990,000	2,388,000	2,148,000	2,060,992	2,039,000	2,159,000
Nissan	2,571,248	2,336,000	2,491,000	2,482,400	2,557,269	2,611,000
Renault	2,044,553	1,674,519	2,382,369	2,789,816	1,992,985	1,527,000
Chrysler Corp.	1,949,314	1,888,113	1,897,479	1,398,972	1,006,245	1,082,553
Peugeot-Citroen	1,765,400	1,628,000	1,634,000	1,737,012	1,616,393	1,580,000
Fiat	1,636,700	1,631,054	1,468,000	1,441,970	1,385,187	1,364,000
Honda	1,582,000	1,363,491	1,304,833	1,087,776	1,020,000	1,045,000
Mazda	1,495,170	1,336,210	1,336,108	1,291,359	1,202,593	1,230,000
Mitsubishi	1,288,697	1,238,351	1,188,600	1,018,463	1,024,243	1,085,000

VW, Renault lead 1986 production gains

By Theodore G. Coutilish
SPECIAL CORRESPONDENT

Most leading motor-vehicle manufacturers posted slight production increases for 1986. Only Renault and Volkswagen had major gains.

After a lull in 1985 following two strong years, Renault rebounded with an increase of 370,034 vehicles in 1986. That was a 22 percent improvement.

Volkswagen showed the biggest advance, with an increase of 411,000 over 1985, due to its acquisition of Spanish carmaker Seat during the year. VW's production jumped 17 percent.

General Motors, Ford and Toyota retained the top three positions. Of the three, Ford posted the biggest production gain at 365,245, followed by Toyota at 119,521 and General Motors at 40,966.

In the ranking of leading manufacturers last year, Volkswagen moved ahead of Nissan into fourth place and Renault passed Chrysler to take sixth place. Chrysler's production increased marginally at 14,201.

DOWNTURN: *GM economist expects '87 sales dip; blames tax reform, 1986 incentives*

By Julie Whitmore
SPECIAL CORRESPONDENT

CHICAGO — General Motors believes a decline in domestic automotive sales during 1987 is a "virtual certainty" given the aggressive manufacturer incentives and tax reforms that shifted sales of approximately 400,000 1987 units back into 1986.

E.J. Sullivan, director of North American macroeconomics for GM, told economists here that 1987 U.S. vehicle sales will fall nearly 8 percent to 15.1 million units, including 10.5 million cars and about 4.6 million trucks.

For 1988, Sullivan projects domestic sales of 15.7 million, including 10.9 million cars and 4.8 million trucks.

While car sales fell off sharply at the start of 1987, they picked up to a 10-million annual rate by the first 20 days of May, Sullivan said.

Sales of foreign-sponsored cars are expected to total 4.1 million this year and 4.4 million in 1988, the latter essentially unchanged from 1986. In the first quarter of 1987, foreign-sponsored car sales took about 30 percent of the market versus 28.5 percent in 1986, Sullivan said.

Foreign-sponsored truck sales meanwhile accounted for about 19 percent of the market last quarter, compared with 20 percent in the year-earlier period.

Sales this year will remain above 15 million units for the fourth consecutive year. This suggests that auto and steel manufacturing will continue to be sustaining forces for the U.S. economy, despite the enormous competitive challenges faced by both, Sullivan told The Conference Board's annual mid-year economic outlook meeting May 29 in Chicago.

Sullivan concurred with other economists at the session that the U.S. gross national product will grow modestly this year, in the 2 to 3 percent range, thus sustaining an unprecedented five-year expansion.

They said autos and steel continue to play a pivotal role in the U.S. economy, accounting for 4 to 5 percent of the GNP. Sullivan cited a recent Federal Reserve Board report that found that changes in auto output account for nearly 30 percent of quarterly changes in GNP growth.

In general, 1987 is expected to be only a "so-so" year for the consumption and nonresidential fixed components of GNP. Real consumer spending is projected to decelerate to about a 2-percent rate of increase this year, down from 4 percent growth in 1986, Sullivan said.

Vehicle sales in unit terms have increased about 1.5 percent since 1965, or about the same as the growth trend for licensed drivers.

Inflation-adjusted dollar sales have increased about one percentage point per year above the growth in unit demand, because increasingly affluent consumers are demanding more conveniences and amenities.

Auto inventories are beginning to retreat from the unusually high levels of the first quarter, he said. Domestic stocks are currently equivalent to less than 90 days, down from a peak of 133 earlier in the year, Sullivan said.

GM would like inventories of about 90 days, he said.

At nearly 50 days supply currently, stocks of Japanese cars also have risen to their highest level since the imposition of the voluntary export quotas by the Japanese government, Sullivan said.

During the Japanese 1986 fiscal year, which ended April 30, Honda was the only Japanese manufacturer with sales equivalent to its allowable quota, Sullivan said, declaring, "At long last the sharp depreciation of the dollar is starting to have an impact on the sales of Japanese and European imports."

Still, the increases in the price of imported cars have been proportionately much smaller than the changes in exchange rates, Sullivan said. Between the first quarters of 1985 and 1987, Japanese car prices increased by 20 percent, while the yen appreciated nearly 70 percent. Similarly, German car prices increased by 18 percent while the deutschemark rose 80 percent.

In part this is because almost 50 percent of the sticker price of a Japanese car is denominated in non-yen currencies, principally the dollar, so that a substantial portion of the U.S. price is not affected by exchange rate changes. Moreover, Sullivan suggested, most importers built up substantial profit margins during the period of the dollar's high valuation, enabling them to absorb part of the initial currency appreciation. But that leeway is diminishing, he said.

On a per-vehicle basis, the price of Japanese cars have increased by more than $1,800 since the start of the 1986 model year, while prices of Mercedes-Benz passenger cars are up $4,500. Domestic price increases have averaged about $600 during the same period, he said.

With regard to petroleum prices, Sullivan predicted a 12 pecent increase, to $16.50 per barrel, in the average refiner's oil price this year.

Samuel Schwartz, senior vice president at E.I. du Pont de Nemours & Co., also predicted modest increases in oil prices over the next three years. The next major jump in prices is not likely to occur until the mid-1990s, he said. Demand also is due for only modest increases of about 1.5 percent to 16.5 million barrels per day for the United States in 1987 and 1988, Schwartz said.

With regard to the general economic outlook, The Conference Board's research director, Eric J. Kruger, was the most optimistic. While Kruger noted some major vulnerabilities that could prevent the continued modest expansion — including declines in construction, industrial production, income and consumption growth — he pointed out that there are some countervailing signs of strength.

These include continued growth in services and in overall employment, and a 17 percent increase in corporate earnings during the first quarter of this year, according to Conference Board data.

Likewise, the industrial production index for the first quarter is still 3.4 percent above where it was during the first quarter of 1986, he noted.

Kruger also cited the real increase in U.S. exports during April. Any expansion pushed by export growth is likely to be stronger than one fueled by domestic consumption, he suggested.

May car output slides

By Kathy Barbaglia
AUTOMOTIVE NEWS STAFF REPORTER

Domestic auto production in May was 623,236, the lowest for that month since 1982 when 499,242 units were built.

The month's total was 4.98 percent below April's 655,892 and 10.59 percent below the year-ago month's 697,077.

Last week's targeted auto production of 156,645 was 18.14 percent more than the previous holiday week's 132,594 but 9.07 percent below the year-ago week's 172,270.

So far this year, 3,417,903 cars have been assembled, 8.44 percent below the 3,733,117 completed last year at this point.

Companies split last week's scheduled output as follows: General Motors, 49.17 percent; Ford Motor Co., 26.14 percent; Chrysler Motors, 14.30 percent; Honda of America Manufacturing Inc., 4.27 percent; New United Motor Manufacturing Inc., 2.39 percent; Nissan Motor Manufacturing Co. U.S.A., 2.02 percent; Volkswagen of America, 1.28 percent; and American Motors, 0.43 percent.

GM's Tarrytown, N.Y., and Norwood, Ohio, plants are closed this week (June 8) for inventory adjustment. Both are expected to resume operations June 15.

GM's Arlington, Texas, and Fairfax, Kans., plants remain idle for model changeover. Chrysler's Belvidere, Ill., plant also is down for model changeover. It is expected to resume production in mid-July.

Saturday (June 6) overtime was slated at GM's Lansing (No. 1), Mich., plant.

Chrysler's Newark, Del., and Sterling Heights, Mich., plants were scheduled for Saturday overtime.

Those plants and Chrysler's St. Louis (No. 1) plant are slated for daily overtime this week.

Truck total in May best since '79

U.S. truckmakers' May production of 329,216 was the highest for that month since 1979 when 338,961 units were assembled.

Last month's output was 0.49 percent below April's 330,826 but 2.99 percent more than the year-ago month's 319,666.

Scheduled production of 79,106 trucks last week was 20.56 percent more than the previous week's 65,616 (which was affected by the holiday), and 3.37 percent more than the year-ago week's 76,530.

General Motors slated Saturday (June 6) overtime at three plants: Baltimore; Lordstown, Ohio; and Pontiac, Mich. (medium-duty line).

Canada cars dive to 23-year low

Canadian automakers' May output was the lowest total for that month in 23 years.

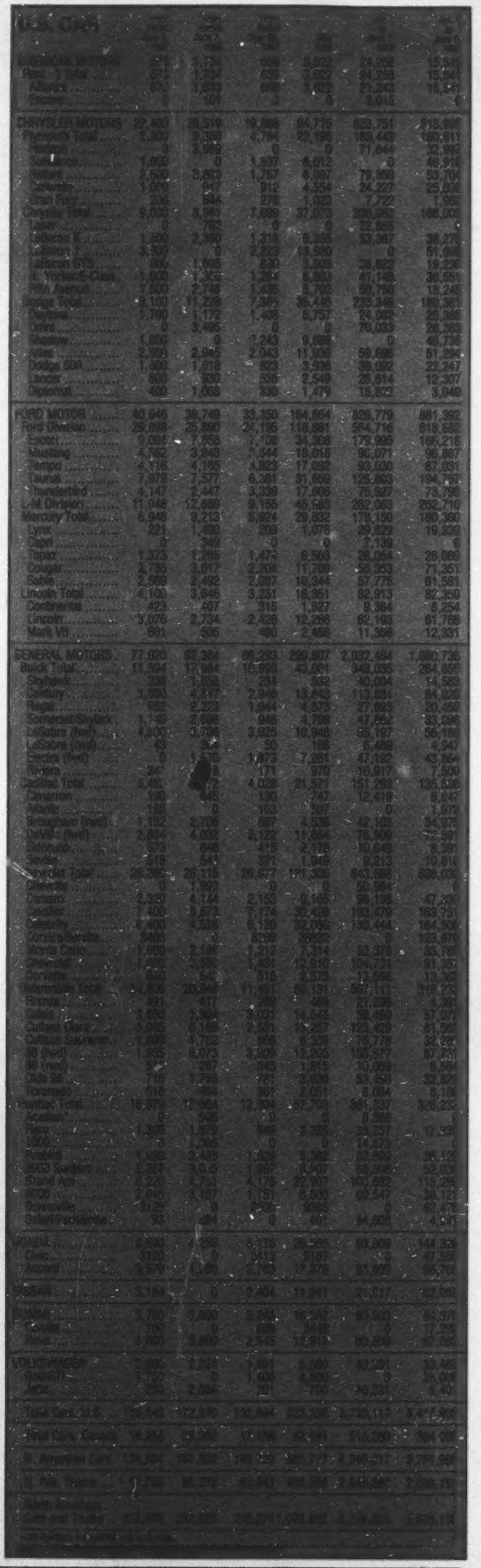
With General Motors' Ste. Therese, Quebec, plant and one of its Oshawa, Ontario, plants down for model changeover, last month's car output dipped to 62,541, the lowest May total since 1964 when 59,682 cars were built.

May's car production was 9.43 percent below April's 69,052 and 38.45 percent lower than the year-ago month's 101,618.

Last week's targeted auto output of 18,256 was 6.54 percent more than the previous week's 17,135 but 27.21 percent below the year-ago week's 25,082.

Truck output during May was reported at 78,872, slightly below (0.86 percent) April's 79,555 but a bit higher (0.80 percent) than the year-ago month's 78,243.

Scheduled production of 18,683 trucks last week was 4.22 percent more than the prior week's 17,926 but 0.32 percent below the year-ago week's 18,743.



GM to trim seat-cover operations

DETROIT — General Motors will close one of its Inland Division component plants and phase out part of a second plant next year.

GM will close the Inland Division plant in Tecumseh, Mich. The plant produces seat covers and employs 900.

Work now done at the plant will be moved to other Inland operations in Euclid, Ohio, and Grand Rapids, Mich. Some employees will be transferred, some may be considered for other GM jobs and others will be laid off.

Meanwhile, GM will seek a buyer for the plant.

GM also said it will phase out seat-cover operations next year at its Inland plant in Livonia, Mich. The plant will remain open to make door-panel trim and other trim pieces.

The Livonia plant employs 2,900 but it is not known how many employees will be affected by the announcement.

The moves, which had been the subject of speculation in recent months, are the result of a study of Inland's seat-cover capacity. The study concluded that Inland has excess production capacity and consolidation was advised.

GM is conducting similar studies of all of its component operations. GM executives have said that about 10 percent of the dollar volume of its component business is non-competitive and is unlikely to become competitive. Those non-competitive operations, not all of which have been disclosed, will be closed or sold, GM executives have said.

So far, GM has said it will close a Fisher Guide plant in Detroit by 1989 and it has completed the sale of another Fisher Guide plant in Elyria, Ohio, to Johnson Controls, of Milwaukee. The plants employ 2,000 workers each.

In November, GM announced the closing of nine assembly and body plants and the closing of portions of two others.

GM workers get COLA increase

DETROIT — General Motors' approximately 379,000 hourly employees have received a quarterly Cost-of-Living Adjustment increase of 15 cents per hour, effective June 1.

The increase raises COLA payments for GM hourly employees to 86 cents per hour for all hours worked through August. COLA payments had been 71 cents during the previous quarter. COLA is adjusted every three months in accordance with the Consumer Price Index, as determined by the U.S. Department of Labor's Bureau of Labor Statistics.

Under GM's current labor agreements, eligible employees receive a one-cent-an-hour raise for every 0.26-index-point rise in the index.

With this increase, COLA payments amount to about $1,790 on an annualized basis for an average hourly employee. Including COLA payments, GM hourly employees in 1986 averaged more than $37,000 in cash compensation. The average labor cost for wages and benefits for hourly employees exceeded $50,000 in 1986.

Since 1984, COLA payments have risen from 5 cents per hour to the current 86 cents per hour.